Linamar

vision 2020

Growth for the future.

Corporate Profile

25.0%

Over the past 15 years Linamar has achieved a compound annual growth rate in sales of 25.0%

Linamar is an international leader in the manufacture of precision-machined components, assemblies and modules.

Our thirty manufacturing facilities, three sales offices and one product development centre are focused on growing our business to $10 billion in sales by the year 2020. This focus carefully balances the needs of our customers, employees and shareholders.

Linamar is the only company in the world currently producing every machined component in a vehicle for the automotive industry. This excellent technical base will provide the core and support for our growth and development in the future into INNOVATIVE PRODUCTS.

OUTSTANDING PERFORMANCE

19.8%

Over the same period earnings have grown by a compound annual growth rate of 19.8%

Linamar became a public company 15 years ago in 1986. Since that time, the company has been an outstanding performer for its investors. We are committed to continuing that standard of performance.

vision 2020

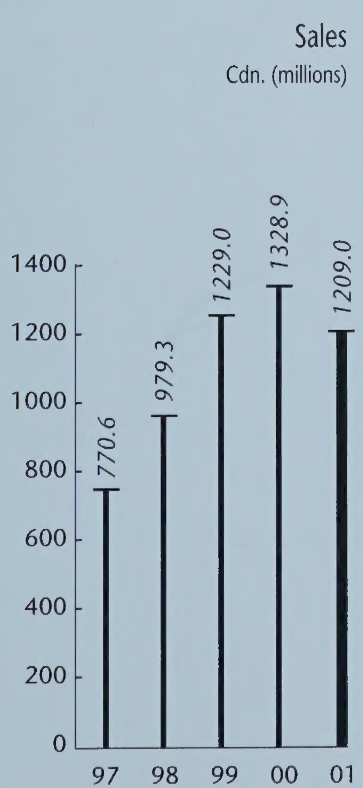
Table of Contents

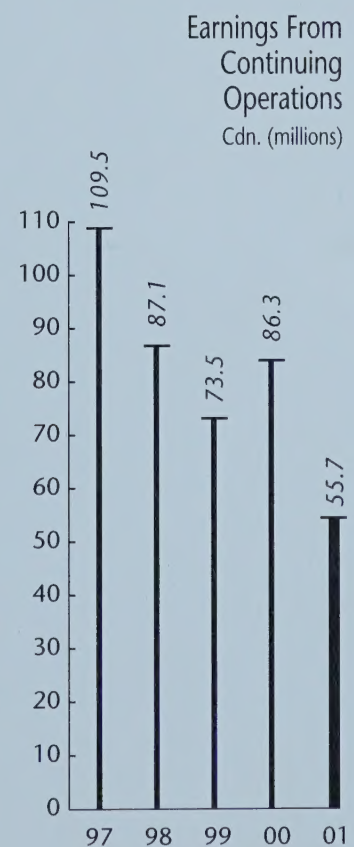
Growth for the future.

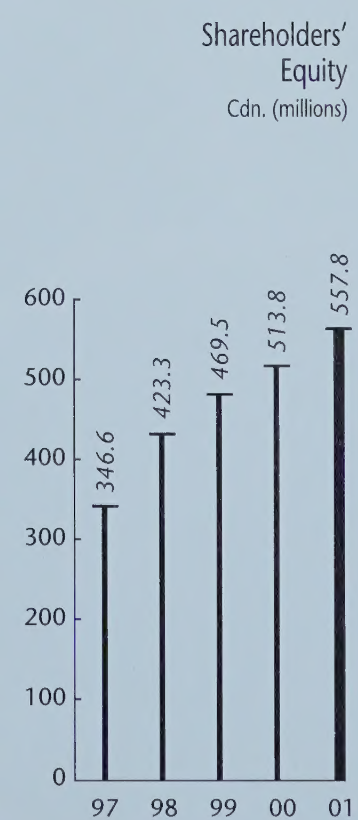
Cylinder Head

Financial Highlights

Canadian dollars in millions except per share figures	December 31 2001	December 31 2000 *(note 9)*
Operations		
Sales	$ 1,209.0	$ 1,328.9
Earnings from Continuing Operations	55.7	86.3
Net Earnings	41.9	77.3
Operating Cash Flow	154.6	174.0
Payments for Capital Assets	138.1	173.1
Financial Position		
Total Assets	962.6	897.3
Total Debt Net of Cash	127.0	123.0
Shareholders' Equity	557.8	513.8
Per Share		
Diluted Earnings Per Share		
From Continuing Operations	0.80	1.25
From Net Earnings	0.60	1.12
Dividends Paid	0.16	0.16
Book Value Per Share	8.05	7.50







The past year was an unusual one in which incredible success in sales, marketing and operational improvement offset a slumping North American automotive market.

Sales in 2001 of $1.2 billion does represent a drop over the exceptional 2000 sales we experienced at the peak of the automotive market cycle, but still represents market share improvement when content per vehicle is considered.

Content per vehicle improved slightly in North America to $62.51 from $61.35 in 2000, and more dramatically in Europe, going from $2.97 in 2000 to $4.26 in 2001, an improvement of 43%. In other words, Linamar is selling more components and assemblies in every vehicle in North America and Europe than we were a year ago. These facts are essential, as bigger market share means higher than average growth when the industry volumes pick up.

Sir Winston Churchill said, "a pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in every difficulty."

MESSAGE TO THE

Transmission Components

Linamar chose to see the opportunity in the difficult economic period of 2001. For instance we saw opportunity for instance on the sales and marketing side and pushed hard to win a fantastic record $460.6 million of annualized new business sourced in the automotive world. Booked new business sourced will push our content per vehicle to more than $80.00 in North America and more than $8.00 in Europe in the next five to ten years. We made significant strides in some key areas of component outsourcing potential by establishing ourselves as the *premier global manufacturer* in areas such as cylinder heads, cylinder blocks, camshafts and transmission shafts.

Record $460.6 million of annualized new business sourced in 2001

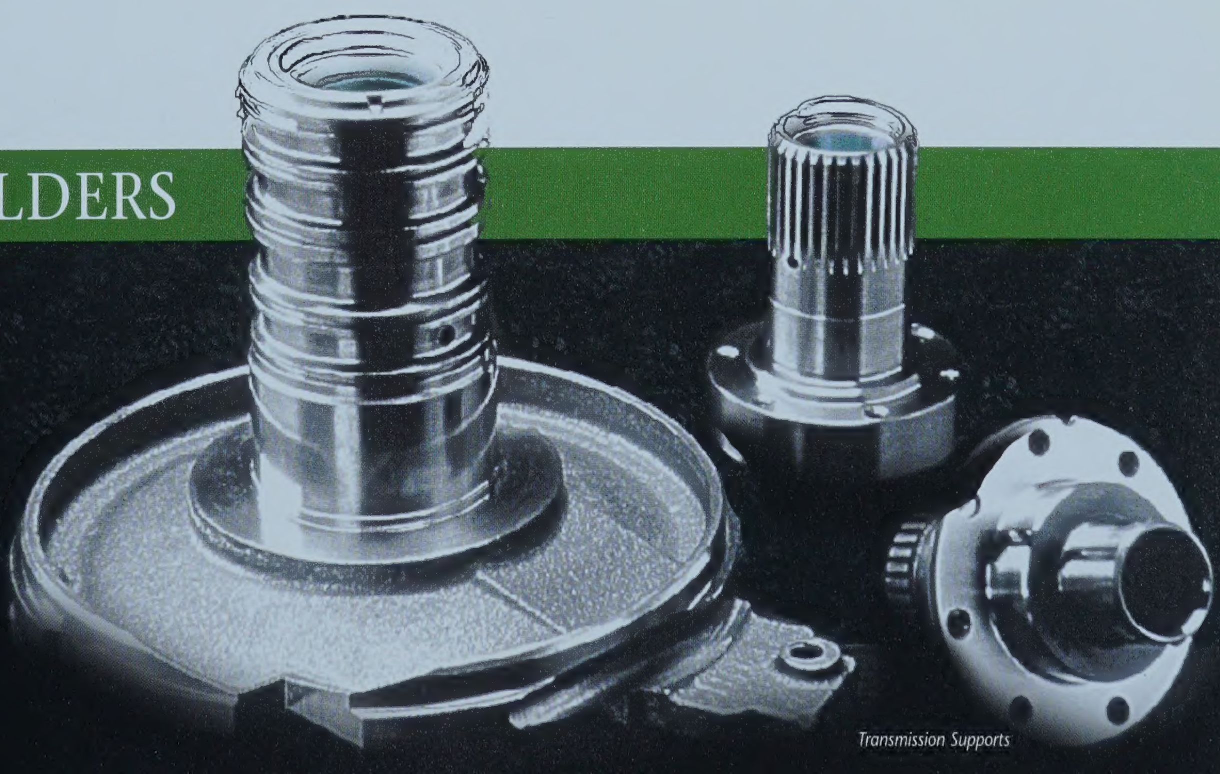
We saw an opportunity to take advantage of the lowest interest rates in forty years to lock in a piece of long-term debt at an exceptional rate, thus securing financing for our continued growth over the coming years.

We saw an opportunity to trim costs from our processes - to work smarter and more efficiently and to buy smarter, through our Cost Attack Team reviews ("CAT"). This *renewed focus on continuous improvement brought millions of dollars to our bottom line* this year. In addition, our people are more knowledgeable, better trained, and better equipped to plan and execute the many new programs starting in the coming years.

We saw an opportunity to make an investment in the aerial platform market in Skyjack Inc. ("Skyjack"). Though troubled now by an industry severely depressed, combined with an over capacity in the company itself, the long-term potential for Skyjack is excellent. We fully believe in the capability of Skyjack management to execute a plan that will bring Linamar a 20% return on its investment within two years. Quite importantly as well is the benefit to Linamar's core business. Linamar's Mezőgép facility in Hungary will manufacture Skyjack's entire European scissor lift production, adding greatly to Mezőgép's sales and allowing them to utilize open capacity. In addition, Linamar's Guelph plants will provide some machined components and assemblies for Skyjack's North American production. The acquisition has provided a symbiotic relationship with the acquired company contributing to Linamar's bottom line, while at the same time feeding our core business.

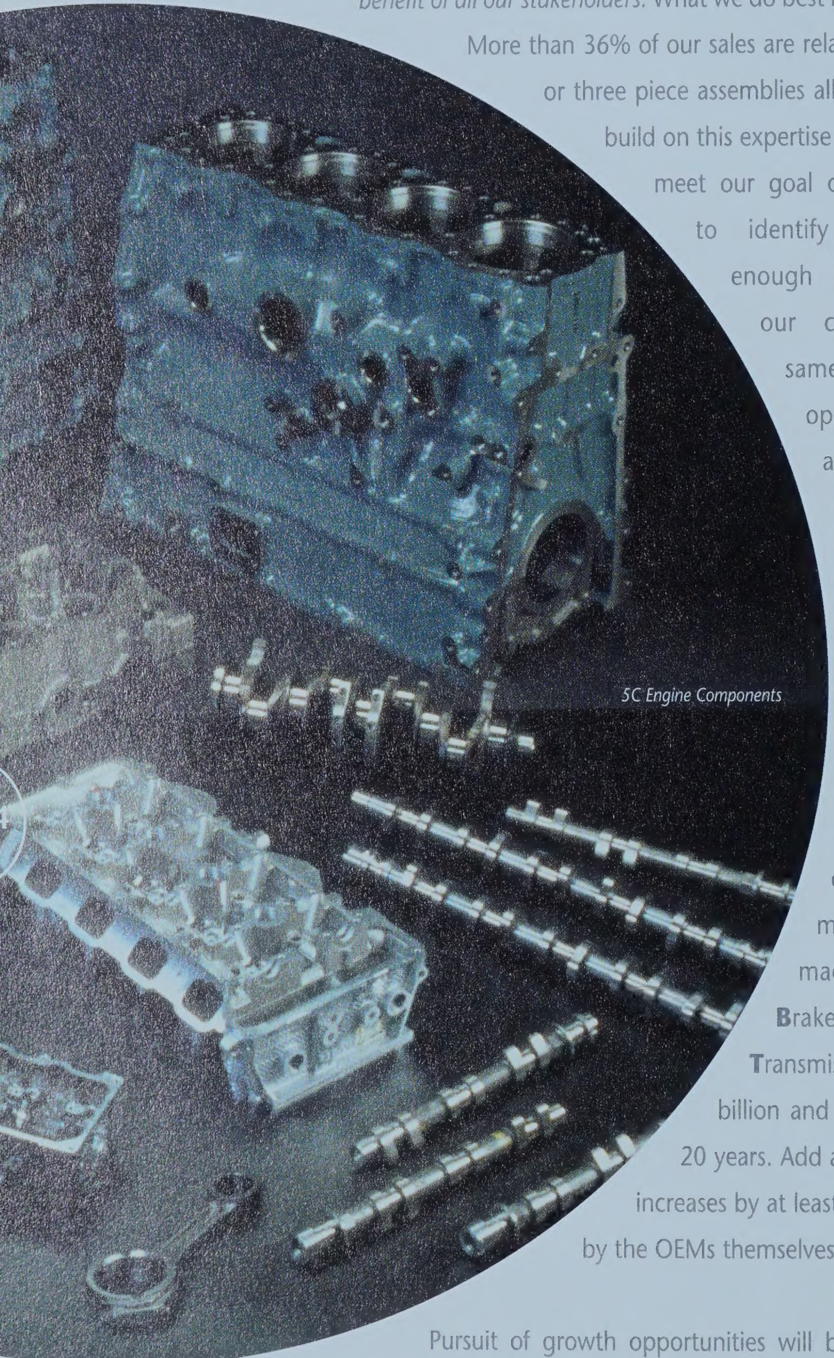
Frank Hasenfratz, Linda Hasenfratz.

SHAREHOLDERS



Transmission Supports

It is this concept that formulates our strategy for growth in the future. Linamar's core purpose is *to do what we do best, better for the benefit of all our stakeholders.* What we do best is precision machining and assembly of machined components. More than 36% of our sales are related to assemblies of machined components, from simple two or three piece assemblies all the way to complete automotive engines. We need to build on this expertise to develop the products that will help us grow to meet our goal of $10 billion in sales by 2020. We plan to identify the products that incorporate enough machined components to feed our core business while at the same time offer good growth opportunities themselves. The automotive world is full of such opportunities. Increasingly each year the Original Equipment Manufacturers ("OEMs") look to outsource more and more complex assemblies, modules and full systems; inclusive in some cases of design and full sub-supplier management. The global market for machined components alone in the **B**rake, **E**ngine, **S**teering/suspension and **T**ransmission/driveline ("B.E.S.T.") systems is more than $100 billion and estimated to grow to more than $120 billion over the next 20 years. Add assembly and sub-supply management to that and the market increases by at least 50% to 75%. The vast majority of this work is currently done by the OEMs themselves, meaning the opportunities for growth are excellent.



5C Engine Components

We plan to identify the products that incorporate enough machined components to feed our core business while at the same time offer good growth opportunities themselves.

Pursuit of growth opportunities will be more flexible with our recently streamlined raw material strategy. Linamar's full range of machining expertise can be applied to any type of machined component. It has become apparent that matching this expertise to an equal level of in-house expertise in raw material manufacturing would be extremely difficult in light of the vast range of processes inherent to this industry. We realized we could provide a much more competitive, high quality solution to our customers by not striving to do everything for all but instead focus on what we do best, and seek out as strategic partners the best the world has to offer in quality, cost and design expertise in particular products. This decision will result in the divestiture of our two foundry dedicated facilities, Standard Induction Castings and Diversa Cast Mfg., within the next twelve months. We will however retain our interest in Weslin, our joint venture with Wescast Industries Inc., as we feel in this

situation we will offer an extremely competitive product to our customers by virtue of the integrated casting and machining environment, with no inter-plant logistics costs, shared management, instant quality feedback and a partner recognized throughout the world for excellence in products identified by the joint venture scope. This is a model built for success which we would entertain in similar situations. In-house material design experts in conjunction with experts at our supplier partner companies will still provide up front material design input to our customers, thus ensuring we are not cut out of this important step in the value chain. Flexibility therefore enhances our growth potential.

Corporate Management Group

Linamar is particularly well situated to take advantage of this growth opportunity. We have a *very strong balance sheet,* with net debt at only 18.5% of total capitalization compared to an average in the automotive supply industry of 41.3%. We are proud to say that despite drops in sales and earnings the automotive side of our business actually generated more than $17 million of cash this year even after investments in capital expenditures for new programs of $138.1 million. EBITDA* for the year was $180.8 million or 15.0% of sales. Our EBITDA margins, averaging 11.7% are at the top end of the industry sector.

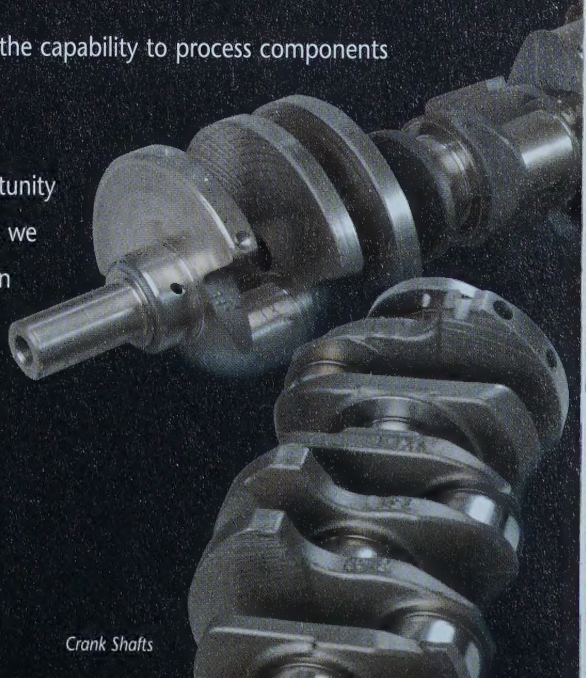
Also contributing to our excellent positioning is our full range of experience in producing every precision-machined component in a vehicle. We are the only supplier in the world with that type of product range running in-house today. *We have the flexibility to expand in whatever direction the market grows.*

Finally, our technical group is undoubtedly one of the strongest in the industry. We have the capability to process components most cost effectively and with the highest quality and consistency.

Clearly we have the strategy, the experience, the resources, the people and the market opportunity to satisfy our long-term growth objectives! The next few years will be exciting for Linamar as we implement this strategy for growth to produce innovative products through our strength in precision machining.

Frank Hasenfratz
Chairman of the Board
and Chief Executive Officer

Linda Hasenfratz
President and Director



Crank Shafts

**EBITDA represents earnings from continuing operations before interest, taxes, depreciation and amortization. This measure does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.*

During 2001 Linamar Corporation has continued to use our strong operating principles to guide the company in its every day decisions and actions. Our key has been to ensure we have simple goals, procedures, systems etc. to enable all employees to understand expectations and to carry out actions to meet these expectations with speed and self-confidence.

Our on-going success is attributed to many vital areas such as:

1. Utilizing the most *innovative technology* in our products to ensure we meet customer expectations.
2. The independence and autonomy of each of our operating facilities to provide the leadership with intense *entrepreneurship* - as if they own their company.
3. The need and mandate to respond to all our stakeholders quickly and accurately, be that customers, employees, shareholders, community and any others that require attention.
4. The facilities inherent work ethic which is unsurpassed in the manufacturing world. We have dedicated and *hard working employees* that truly provide innovative solutions, energy and enthusiasm when they arrive to work at Linamar.
5. We provide growth opportunities for our employees based on our continued *growth* in the market place. This provides employees the ability to plan their career within Linamar that ensures they are respected for their skills and work experience.
6. The Company continues to balance customer, employee and financial issues to ensure satisfaction to all these stakeholders is met.

Balancing customer, employee and financial satisfaction.

We continue utilizing our "Stepping Stool of Success" to focus on operational performance. This simple system which provides specific goals for customers, employees and shareholders has proven to be very successful. It visually depicts how each autonomous operation is performing to key measurables and assigns a colour code and grade, providing all employees with successes and areas for improvement. We have linked compensation of all employees to this system to ensure we have focus and action plans to meet our specific stepping stool goals.

Our operation continues to focus on costs through this on-going competitive environment. Our customers provide no option; they need cost reductions to maintain their competitiveness in the marketplace therefore we must be innovative and aggressive in our cost reductions to them.

OPERATING PRINCIPLES

Differential Cases

We continue with our CAT reviews to attack every aspect of costs within a program. Layouts, tooling, processes, equipment and manpower utilization are just a few areas we deeply probe when performing a program review. We have identified million's of dollars in ideas for improvement since the program's inception; with implementation of approximately 38%. Not only does this program provide real cost savings, it also provides a results oriented training session for our teams at the operating level. Management and these teams utilize this training as lessons learned and apply it to the whole Company.

We have also been strengthened by our use of Amalgamated Stakeholder groups. These are groups made up of representatives from each operating plant by discipline. They meet to discuss and act upon best in practices, lessons learned and key action items from all plants so they can improve their own operating facilities. Additionally, it provides Linamar the opportunity to leverage our purchases through increased volumes for our suppliers with reduced cost to Linamar. This adds to our entrepreneurial spirit by providing a tool for our business leaders to enhance their performance at the operating level.

As we continue to grow, the need for communication and understanding of our operating principles will be key for our success. We have established a Senior Leadership Team comprised of Corporate Management, Operating Leaders and Sales and Marketing leaders to ensure our plans are being executed quickly with full understanding by all. The Senior Leadership Team created its own mandate to work on six core ideas which are:

1. Sales growth $10 billion by year 2020.
2. Flawless project and plant launches.
3. Stepping stool optimization.
4. Lean manufacturing optimization.
5. Optimize organizational effectiveness.
6. Effective communication with unsurpassed commitment.

These core ideas were created by the Senior Leadership Team to make our Company the best for all our stakeholders. Our core ideas are not just ideas they have work plans and real projects that will be the catalyst for our continued growth and operational success in the next decade! These simple operating principles guide us to our goals to ensure we are successful in the future for our customers, employees and shareholders.

Jim Jarrell
Chief Operating Officer

Gears

FINANCIAL SATISFACTION

Linamar believes that financial satisfaction is as important an element to the success of the Company as employee satisfaction and customer satisfaction.

The relevant stakeholders who have an interest and benefit from this concept includes the financially based relationships of investors, bankers and lenders, etc., but also goes beyond those parties to include the entire business and non-business community, i.e. customers, suppliers, employees, various institutions, etc. Our stakeholders expect Linamar to grow profitably, providing them with a reasonable return on their investment in us.

Our goals and objectives are intended to communicate to those stakeholders what they should expect from the Company concerning financial performance.

There are three fundamental initiatives that outline how we address and set those goals and objectives:

1. *Sales Growth to $10 Billion by 2020.*
2. Creating a Lean Cost Effective Organization.
3. Optimization of our Stepping Stool Operating System.

First of all, our stated growth objective as explained in our Vision 2020 Mission Statement is to be a $10 billion company by 2020, or "10 by 20". This objective requires compound annual growth of 15%. Historically, the Company has achieved at least that level and our plan is to continue in that direction. Linamar has plans in the development of product and process technologies as well as growth in other capabilities and geographic markets it serves to achieve the growth objective.

Growth in sales objectives is coupled with growth in profits. Our stated objective is to achieve an after tax return on equity of 20%. Our core idea of a "*Lean Cost Effective Organization*" is the key driver of ensuring that such profitable levels are achieved and maintained.

Executive Management Group

The *Lean and Cost Effective* concept begins with a clear and concise understanding of our cost structures and the related standards that it strives to achieve in a number of areas. For example, our manufacturing system focuses on specific goals to maximize sales per square foot and per employee, material cost targets, and equipment utilization and cycle time objectives.

The financial leg of our Stepping Stool operating system focuses on key operating elements such as return on assets, pre-tax profit and related key manufacturing cost items that are the heart of our operations. It is a perfect compliment to the Linamar manufacturing system concepts and forms the basis for achieving our return objectives.

Turbo Charger Components

EMPLOYEE SATISFACTION

Lean Cost Effective Organization

The intense entrepreneurship and consummate work ethic of all our employees has truly given Linamar a global competitive advantage. Through an environment of opportunity and mutual respect, our employees are able to do what they do best while ensuring the Company does what it does best better.

The philosophy of continuous improvement is very much alive in our employee community. Over the past year we have set a target of becoming an *employer of choice*, which can be measured through key human resource performance indicators. During the 2001 fiscal year, our key *human resources indicators have improved by 38%* and we are extremely proud of our employee dedication to improving the health, safety, and environmental performance. We are truly an industry leader in the area of health and safety which is demonstrated in accident frequency and severity including five facilities that had zero lost time accidents in 2001. Our commitment to environmental programs has lead to *two facilities obtaining ISO14000* status with the balance of the facilities scheduled to obtain ISO14000 by the end of 2003.

Through our annual employee surveys we have continued to identify opportunities to improve communication with our employees. Over the last year we have implemented an internal television network called LTV (Linamar TV), which is used to communicate key business information as well as items of interest to our employee community. In addition, this year we implemented the President's Forum, which allows employees at Linamar facilities to volunteer to participate in a lunch meeting with the President of Linamar. Through this forum, *employees can provide input and suggestions on improving Linamar* overall, and allow us to move closer to becoming the employer customer of choice, and shareholding of choice.

This past year we have continued to aggressively invest in our people by focusing on training and development opportunities in areas which enhance employees technical skills, leadership skills, and reinforces our commitment to quality systems. Special attention has been placed on improving the communication skills at all levels within the organization.

The commitment to our employees has never been stronger. Through this dedication and effort, our facilities have seen great improvements in the reduction in the number of lost time accidents, of hours lost due to work related accidents and a continued reduction in employee absenteeism. These initiatives clearly show the employees' commitment to ensuring that we have a safe, healthy, and productive work environment.

These are some of the examples of how our employees' unsurpassed work ethic and commitment to the organization have allowed us to maintain a truly competitive advantage based on human capital.

CUSTOMER SATISFACTION

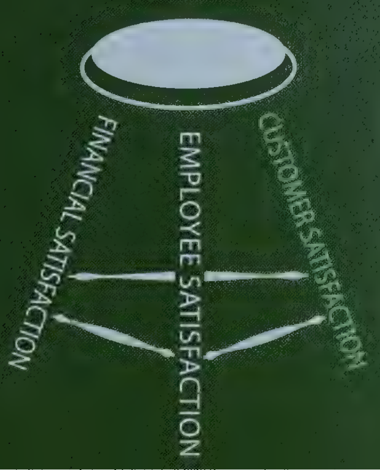
A relatively new requirement of suppliers by the automotive OEMs is to be a full service supplier, meaning that you have the capabilities to design, develop, prototype, test and produce the components. Several years ago, we established the Linamar Product Development Team ("PDT") to be able to provide our customers with this capability. Initially, we worked with non-automotive customers to gain the experience necessary for automotive components. Some examples where we have been successful in designing and developing have been automatic transmissions for the marine industry and trans-axles for the utility vehicle industry. Through this effort Linamar is now recognized as a full service supplier for: transmission shafts, differential assemblies, clutch structural components and transmission support assemblies.

Another important area of focus for the Product Development Team is value analysis and value engineering. We are required by our customers to continually drive cost out of the product either by eliminating waste in manufacturing or with improvements in design. The Product Development Team works with all of our manufacturing facilities around the world to validate suggested design improvements before submission to the customer, thereby providing cost reduction ideas that have been analyzed and are feasible to be implemented.

An increasing trend within the automotive industry is the evolution from component outsourcing to modular outsourcing. This initiative by the OEMs requires the supplier not only to manufacture the components, but also have a significant Tier II supplier management program to ensure that the various other components in the module meet or exceed the requirements of the customer. Also, the module supplier must have strong design, development and testing capabilities as the customer makes this a part of the requirements for the outsourcing. Linamar has recognized this initiative by the OEMs and has put in place the necessary capabilities which have enabled us to evolve from a component supplier to a modular supplier. Sales also increase from this outsourcing strategy, where in the past we supplied $10 million annually worth of shafts for a specific transmission, Linamar will now supply $174 million annually in shaft modules for the replacement transmission.

However, the Company's sales growth goals cannot rely strictly on the premise of being a modular supplier. Customer requirements for quality and delivery performance have increased significantly; when suppliers are not meeting these new expectations, they are being de-sourced of their current business and they are being removed from the supply base. Linamar prides itself in being the supplier of choice and has continued to exceed our customer's expectation in quality and delivery. Over the last couple of years, our delivery performance has improved over 17% and we have reduced our external scrap levels at our customers' by 95%. This type of performance is what has enabled Linamar to increase new business contracts by 16% in 2001 over 2000. New business contracts were $460.6 million annually in 2001. More importantly, our performance will help us achieve our goal of $10 billion in sales by the year 2020.

Linamar strives to keep abreast of the emerging technologies, not only the ones being introduced by our customers but also the latest technology in manufacturing. We also continue to search out innovative processing techniques and products which can displace our competitors, boosting market share and profit. We have invested significant amounts of capital into flexible manufacturing. An example of this flexibility is the capability to machine cylinder heads for 4, 6 and 8 cylinder engines from a single machining line. We are also increasing our involvement in new technologies like cam-less engines, hybrid engines and fuel cells for the transportation industry. Our involvement in these areas yield opportunities for Linamar and provides insight to the effect of this technology on Linamar's future business. We are striving in all these ways to maximize customer satisfaction and secure our place as the supplier of choice.



SKYJACK™

Skyjack is a leading manufacturer of self-propelled aerial work platforms for a diverse client base in North America and Europe. Founded in 1969, the Company has established a leading position in its markets, with a reputation for quality, durability and cost competitiveness. Skyjack is headquartered in Canada, with manufacturing facilities also in the U.S. and sales and service offices in Canada, the U.S., the U.K. and the Netherlands.

The model SJIII3226 is a 32' wide by 26 platform height machine. Prior to its introduction, the highest that anyone in the industry went on a 32" wide category machine was 20' to the platform. The narrowest 26' platform machine prior to the 3226 was 46" wide. This extra height on the narrow chassis enabled access to places previously out of reach with traditional machines.

HIGHLIGHTS

- An industry first was introduced in 2000 with the launch of the SJIII3226 aerial platform. The introduction of this 32 inch wide by 26 foot tall aerial platform created a new market segment within the industry. This model was innovative as prior to its introduction, the highest that anyone in the industry could reach with a 32 inch wide machine was 20 feet and the narrowest 26 foot platform machine prior to the SJIII3226 was 46 inches wide. This extra height on the narrow chassis enabled access to places previously out of reach with traditional machines. Competitors did not introduce equivalents until late 2001 with machines that were 25% heavier than the SJIII3226 giving Skyjack a performance, battery life and trucking (more machines per load allowed) advantage.

- Introduced new compact rough terrain aerial platform model (SJ7135) in 2001 slated for production early 2002. Market anticipation for this product is very high with several already on back order.

Competitive advantages:

- Lowest life cycle cost
- Most reliable in industry
- Lowest maintenance costs
- Highest end values in industry
- Easiest to service (low "down time")

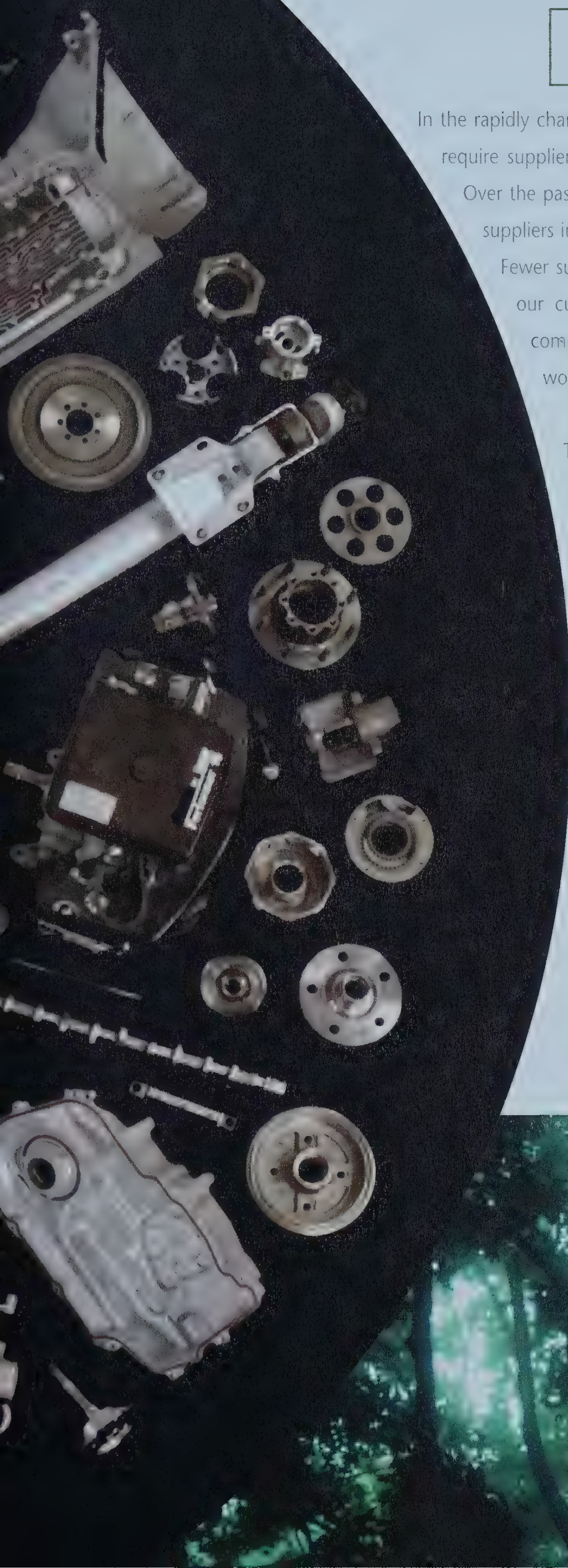
Technology:

Electric machines:

- Simple technology (easy to maintain)
- Inexpensive reliable components (lower parts inventory requirements)
- Competitors use motor control systems which have yet to prove reliable in construction rental environment

Rough terrain machines:

- Best Drive train technology: Mechanical differential axle drive system gives superior gradeability to competitor's hydraulic drive systems

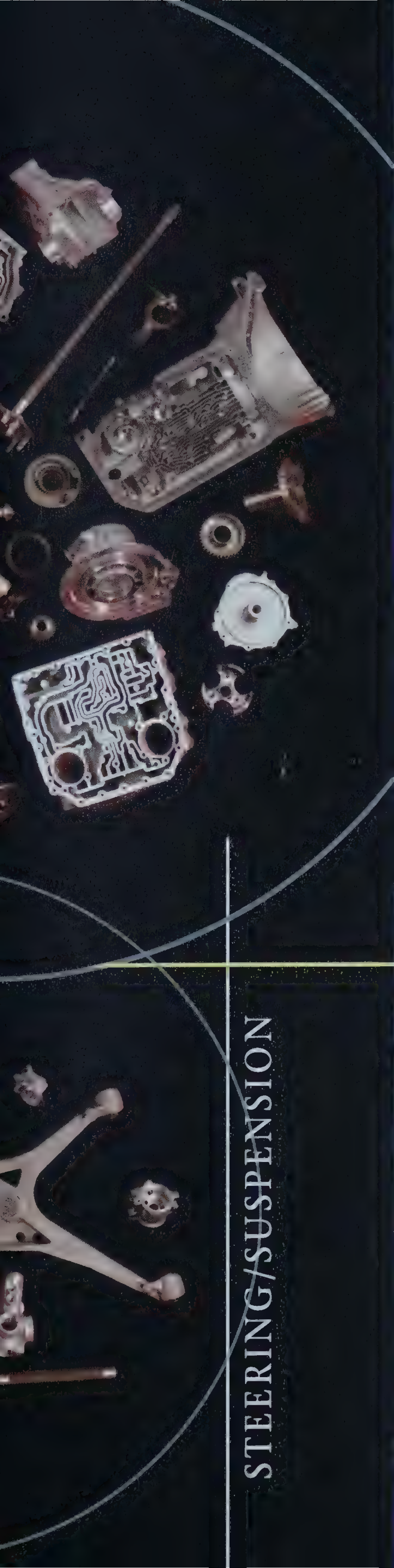


PRODUCT FOCUS

In the rapidly changing automotive environment, the trends within the industry require suppliers to be able to react quickly to the customers' expectations. Over the past several years, there has been a considerable consolidation of suppliers in both the North American and European automotive industry. Fewer suppliers generate more opportunities for Linamar to grow with our current customers and develop new ones. Today, we supply components to eight of the ten largest automotive OEMs in the world.

The outsourcing of highly engineered components and systems, which Linamar is mainly focused on, continues to grow. For our customers to enhance their competitive position, they are relying on suppliers to increase their capabilities to manufacture these highly engineered components. Only a few years ago, the thought of an OEM outsourcing critical engine components for manufacturing was unheard of. Today however, Linamar manufactures cylinder heads, cylinder blocks, camshafts, crankshafts and connecting rods. These components are considered the most important for the performance and longevity of the engine. This type of manufacturing excellence is what puts us with only a few other suppliers to have enhanced capabilities to support our customers' expectations.

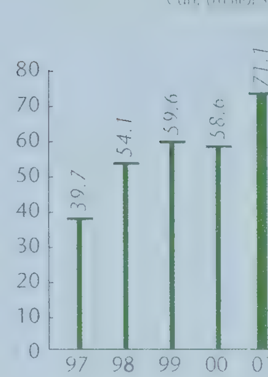

BRAKING
ENGINE
TRANSMISSION



Braking

As brake system suppliers focus only on the design and assembly of systems, outsourcing of components and sub assembles has increased dramatically. Linamar has been awarded contracts for every component in the corner of the vehicle related to the braking system. Also we have increased our customer base for these components by securing new business with the largest manufacturer of brake systems. Currently, we are working with our customers in the design of knuckles and alternative materials for brake components.

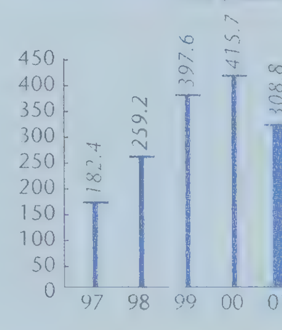
Market Potential $14.9 Billion
Cdn (millions)



Engine

Outsourcing in the automotive industry of key engine components, primarily manufactured in-house, has increased significantly. In 2001, Linamar was awarded several contracts for engine components, most notably were fully machined cylinder heads and camshafts. This outsourcing will eventually evolve from strictly component machining to machining and assembly; for example cylinder heads ready for assembly on to an engine.

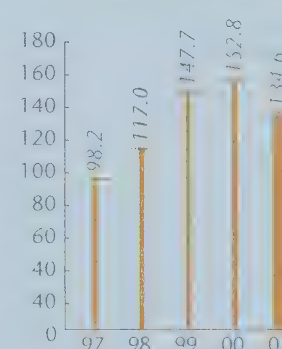
Market Potential $45.2 Billion
Cdn (millions)



Steering

Linamar has been working with our customers on the development of components for various new steering technologies. One of these is the "Quadra Steer" a steering system that not only turns the front wheels but also the rear wheels. This enables the vehicle to be able to turn in a smaller radius, providing better control when using a trailer. Besides being awarded several components for this system, Linamar has also been awarded a high precision gear for this assembly which enables us to expand our gear manufacturing technology.

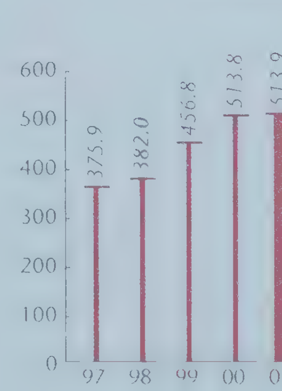
Cdn (millions)



Transmission

Various trends and technology are developing specifically related to automotive transmissions. The Constant Variable Transmission ("CVT") is one example of technology that is being utilized to increase fuel economy and reduce the cost of the vehicles. A trend that has developed over the last couple of years is the move from component outsourcing to module outsourcing, whereby the supplier is responsible for a fully machined and assembled module rather than a single component. Over the last year Linamar has been involved in and won new business for transmission modules and components for CVTs.

Market Potential $38.5 Billion
Cdn (millions)



Linamar Corporation – World Wide Locations

Corporate Office
287 Speedvale Ave., W.,
Guelph, Ontario
Canada N1H 1C5
Tel: 519.836.7550 Fax: 519.824.8479

Wholly Owned Subsidiary · >50% Joint Venture · Sales Office · <50% Minority Joint Venture

LOCATIONS

Linamar Corporation 287 Speedvale Avenue West, Guelph, Ontario, Canada N1H 1C5
519.836.7550 Fax. 519.824.8479 www.linamar.com

Linamar

Management's Discussion and Analysis

Linamar Corporation ("Linamar") is a global manufacturer of precision-machined components and assemblies, primarily for the automotive industry. The Company is focused on the highly engineered systems of the vehicle such as Brake, Engine, Steering/suspension and Transmission/driveline ("B.E.S.T."). Linamar employs more than 8,000 people in 30 manufacturing facilities, 1 transportation facility, 3 sales offices, and 1 product development centre in Canada, the US, Mexico and Hungary.

The following management's discussion and analysis of the consolidated operating results and financial position of Linamar for the years ended December 31, 2001 and 2000 should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Overview

Fiscal 2001 saw significant downturns in the automotive market. Despite this situation, Linamar improved its content per vehicle in the North American market from $61.35 to $62.51 and minimized the impact on its sales revenue while coping with the insourcing of several large programs previously awarded by the Original Equipment Manufacturers ("OEMs"). Linamar's new order book grew by $460.6 million during the year. Significant new contracts awarded involve the machining and assembly of modules. The Company is also expanding its ability in the 5Cs (cylinder heads, cylinder blocks, camshafts, crankshafts and connecting rods), an area that is slowly being outsourced by the large manufacturers. In connection with that strategy, the Company's joint venture with Wescast Industries Inc., Weslin Autóipari Rt. ("Weslin") which is intended to cast and machine exhaust manifolds in Europe, moved closer to completion and the construction of the Exkor facility to machine cylinder heads advanced as planned. The Company continues to focus on strategies that will improve profitability and will offset the effect of continuing pressure from customers for pricing concessions. The Company also continues to pursue business opportunities that utilize its machining and manufacturing expertise outside the automotive sector as well as within. As a result, the Company purchased a 48.5% equity interest in a Canadian-based scissor-lift business. The production requirements in this new investment represent an opportunity to utilize existing facilities and operations in Hungary to manufacture for European market requirements. Skyjack Inc. ("Skyjack") is also undergoing a significant restructuring to focus on assembly and marketing, and to position itself for improved performance in future years. During the year, Linamar also re-evaluated its raw material strategy and decided to divest its two wholly-owned casting divisions.

During fiscal 2001, Linamar completed a bank syndicate arrangement of $102.0 million of long term debt and a $155.0 million working capital line of credit. In addition, U.S. dollar debt was converted to Canadian dollars to minimize foreign exchange exposure.

Results of Operations

Sales		December 2001	December 2000	Change
Canada	$	1,014.5	1,137.5	-10.8%
US		45.6	66.1	-31.0%
Mexico		92.4	74.4	24.2%
Europe		68.0	61.7	10.2%
Intersegment		(11.5)	(10.8)	
Total external sales	$	1,209.0	1,328.9	-9.0%

Consolidated sales decreased 9.0% to $1,209.0 million from fiscal year 2000. A significant decline in Canadian and U.S. vehicle production of 10.3% to 15.9 million units in 2001, along with the corresponding actions and reactions by our customers were factors in the reduction of Linamar's Canadian and U.S. sales of 11.9% to $1,060.1 million. This decline includes a reduction of $31.2 million in the Company's tooling sales as well as a decline in non-automotive small engine sales of $23.1 million to $50.4 million. However, the Company realized a 10.2% increase in European sales net of a $10.6 million decline in tooling sales despite a decline in overall European vehicle production of 1.0% to 16.2 million units produced. Linamar continues to increase its market share despite the decrease in market volumes in Europe.

Although Linamar's North American content per vehicle increased 1.9% to $62.51in 2001 from $61.35 in 2000, the Company's production sales to North American automotive customers declined 9.4% to $991.2 million from $1,084.2 million in 2000. Several market factors contributed to this sales decrease. Anticipated contract declines or program completions during the year account for approximately $103.1 million of the sales decrease. A further $57.3 million of the reduced North American sales can be attributed to volume decreases on existing contracts related directly to the overall decline in vehicle production. A reduction of $66.4 million resulted from anticipated contract start-ups that were returned to in-house production by the OEMs due to open capacity made available by new vehicle production decline.

As noted, the Company's sales were affected by significant OEM insourcing, which affected several facilities. The General Motors Corporation ("GM") Northstar cylinder head came to an end in 2001. This contract was to be replaced by a cylinder head program for the GEN III. GM subsequently cancelled this contract, electing instead to use available in-house capacity. Ford cancelled two large contracts, one in respect of a V-10 camshaft and the other in respect of an engine block. A further sales reduction resulted from the scheduled end to the Company's contract with Visteon Corporation. This contract had been temporarily outsourced while Visteon reorganized their manufacturing capabilities. This program illustrates Linamar's ability to ramp up production quickly and effectively; in order to meet customer demands for short-term outsourcing programs.

Tooling sales also decreased to $36.4 million in 2001 from $78.2 million in 2000. Tooling sales, which typically increase in conjunction with awards of new business, will vary with the timing and amount of new business launches. During the year, new business launches were lower than in the prior year. Management expects that, as new business is awarded to Linamar, tooling sales will increase. Significant tooling revenues had been recognized in 2000 for the GEN III project in North America as well as the Continuous Variable Transmission ("CVT") produced by the Company's Hungarian facility. The CVT program ramped up in 2001 and management expects the program to be at full production levels by the end of 2002. New tooling projects in 2001 were in support of the WT and LCT transmissions for Allison Transmission, the GM L-18 intake manifold and various products for Delphi Automotive Systems Corporation ("Delphi"). These programs ramped up in 2001 and are long-term contracts.

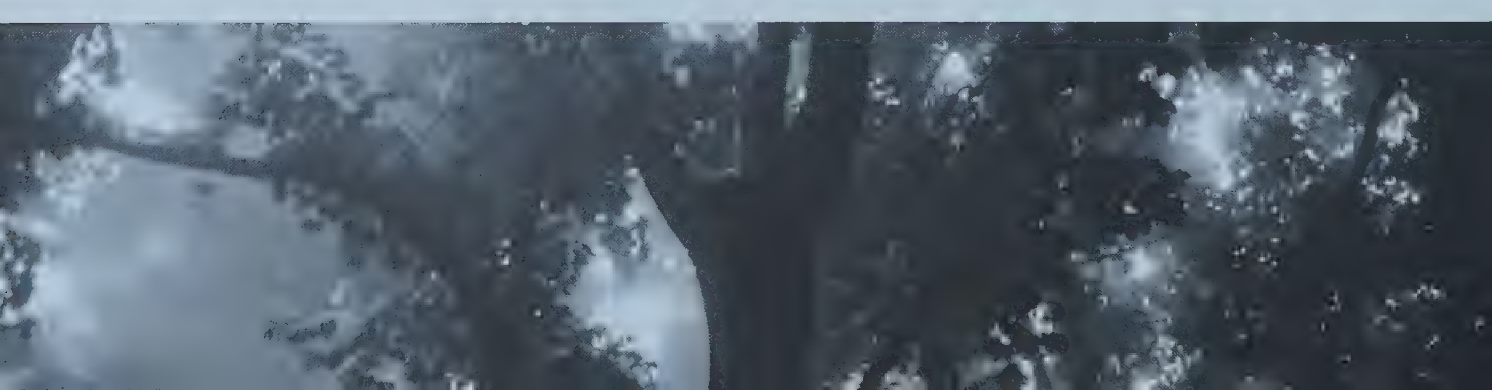
The Company is focused on the highly engineered systems of the vehicle such as **B**rake, **E**ngine, **S**teering/suspension and **T**ransmission ("B.E.S.T.").

The Company also experienced a deterioration in sales results with respect to Onan small engines. These small gasoline and alternate fuel engines are used for power generation and other applications. One model out of the three produced by Linamar does not satisfy 2002 emission standards for North America. While it is still useable for certain applications, sales were impacted by its change in status. The Company was awarded an interest-free government loan in 2001 to assist in the development of lower emission engines. Work is underway to ensure the Company will be compliant with the new standards in conjunction with market research to promote the engines and align specifications with applicable markets.

Offsetting these declines in revenue, Linamar experienced volume increases on existing contracts of approximately $58.3 million. One of the increases was the successful renewal of the Renault engine contract at Industrias de Linamar in Mexico. Volumes more than doubled on a camshaft program for Ford Motor Company ("Ford"). The Company's Hungarian operations saw increased volumes on GM programs, including the CVT program, as well as products for Magna Steyr ("Steyr").

New contracts launched or existing program extensions in 2001 accounted for approximately $88.1 million of the Company's sales during the year. Production began on a long term contract with GM for the production of L-18 manifolds. The Company also commenced differential case programs for two customers. Significant programs began in various facilities for Delphi brackets, hub assemblies and steering housings.

The sales increase in the European market, despite the decline in vehicle production, illustrates Linamar's growing penetration of that market. Production sales to European automotive customers increased 41.8% to $69.2 million in 2001 from $48.8 million in a relatively flat market for vehicle production. The Company's European content per vehicle increased 43.4% to $4.26 from $2.97 in 2000. The Company's Mezőgép Rt. ("Mezőgép") facility ramped up production for existing programs such as Steyr and Newage shafts, as well as GM middle flange carriers. Mezőgép also launched new programs such as turbo housings for Honeywell. This growth illustrates the success of the Company's focus on its B.E.S.T. strategy.



Sales to Linamar's four largest customers in fiscal 2001 were GM at 24.0% of consolidated sales, Delphi Corporation at 8.9%, Ford at 8.3% and Cummins Engine Company, Inc. ("Cummins") at 7.7%. In 2000, the Company's four largest customers were GM at 26.9%, Cummins at 9.7%, DaimlerChrysler Corporation at 7.5% and Ford at 7.1%. No single product accounted for more than 10.0% of Linamar's consolidated sales in 2001 or 2000.

When comparing the changes in product mix based on the preceding analysis as it relates to the B.E.S.T. strategy, improvements were seen in the sales of brake systems while steering and suspension components showed decline. Engines and transmissions are the largest components of the Company's automotive business. Demand for these components has been impacted by downturns in the passenger vehicle and Class 8 diesel truck markets. However, the Company's transmission component sales remained stable at $513.9 million in 2001 and represent 47.0% of the Company's automotive production. Management believes that the Company will realize future growth in this area from its move towards the goal of being a full service supplier as demonstrated by new contracts awarded in 2001 for component assembly of shaft modules.

Engines account for 28.2% of Linamar's automotive production. In 2001, engine sales declined approximately 25.7% to $308.8 million from $415.7 million in 2000. The main factor has been the contracts insourced by OEMs consisting mainly of the Ford camshaft and engine block programs. Management anticipates future growth in engine sales as the Company continues its focus on the 5Cs. This is typically an area that OEMs have produced in-house. As they move to outsourcing these products however, management believes that Linamar is positioned as the supplier of choice as demonstrated by its ability in these areas. The 5.4L cylinder head program at Exkor, which launches in July 2002, is a prime example of the opportunities for future growth in this business.

While Linamar's largest sales component is the automotive market, the Company's agriculture sales in Hungary increased 24.9% to $22.2 million in 2001. This increase can be attributed to the increased export sales of new combine products such as baler accumulators and stock choppers. The Hungarian government reinstated a program of support for local farmers during the year. As a result of this funding and favourable weather conditions, domestic demand for products increased significantly.

Gross Margin

		December 2001	December 2000	Change
Sales	$	1,209.0	1,328.9	-9.0%
Cost of good sold		960.6	1,040.3	-7.7%
Gross margin	$	248.4	288.6	-13.9%
Gross margin percentage		20.5%	21.7%	-5.5%

Gross margin before amortization as a percentage of sales decreased 1.2 percentage points to 20.5% in 2001 from 21.7% in 2000. The effect of lower volumes was the largest contributing factor to the reduction of gross margin dollars accounting for $24.6 million of the change. An additional factor in the change in gross margin was the cost of raw materials. Material as a percent of sales increased 2.0 percentage points in 2001 over 2000. Two significant contracts moved from the use of consigned material to purchased. Specifically, the material for the GM L-18 manifold had been consigned in 2000. In addition, volumes on this line increased significantly in 2001. Volumes for the Delphi steering housing remained stable but the change to purchased material impacted the margin percentage on this product. The completed Northstar program and its cancelled replacement used consigned material as well. With these programs not continuing, material content is effectively increased. As well, some of the new launches in 2001 have been higher in material content.

Partially offsetting the increased material costs were improvements in the areas of consumable tooling, manufacturing supplies and maintenance. These improvements reflect the successful efforts of the Company's Cost Attack Team reviews ("CAT"). Cost saving ideas are implemented immediately and communicated to other facilities performing similar operations. The teams look at process, equipment, materials and their costs as well as labour applications in these comprehensive reviews.

Operating Income

		December 2001	December 2000	Change
Gross margin	$	248.4	288.6	-13.9%
less				
Amortization		91.8	89.1	3.0%
Selling, general and administrative		61.2	65.4	-6.4%
Equity loss		6.9	-	
Operating income	$	88.5	134.1	-34.0%

Operating income declined 34.0% to $88.5 million in 2001. The largest component of the change was the gross margin previously discussed. That amount was partially offset by reduced selling, general and administrative costs. Slightly higher amortization and the loss in the equity investment accounted for the remaining decline. Amortization increased 3.0% from 2000 to $91.8 million. Amortization was marginally higher because of the level of asset purchases near the end of 2000 and the accelerated amortization of certain special purpose equipment for the Gen III project. Significant changes in market volumes have resulted in less than full equipment utilization for some programs. The effect of decreased sales in a capital intensive business has a magnified effect on operating earnings as fixed costs, particularly amortization, continue despite a downturn in production.

Selling, general and administrative costs have decreased 6.4% in dollar amount and, as a percent of sales have remained stable at 5.0%. The Company recorded a small net foreign exchange gain in the current year compared to a loss in the prior year, the net impact of which is a reduction of selling, general and administrative costs of approximately $4.2 million. The exchange losses were recorded as a result of the weakening Canadian dollar versus the U.S., based on the U.S. dollar loans. The Company made a decision during 2001 to eliminate U.S. dollar borrowings because it created a foreign currency exposure for the Company. By year end, substantially all of the U.S. dollar loans had been converted to Canadian dollars. In other costs, certain one-time expenses were incurred in the current year, including a bad debt provision related to Hayes Lemmerz International, Inc. and Valeo Electrical Systems Inc., professional fees and severance aggregating to $2.8 million. These costs would otherwise have allowed the Company to further reduce selling, general and administrative expense as compared to the prior year.

The equity loss includes $7.1 million in connection with the Company's equity interest in Skyjack, which represents Linamar's 48.5% share of Skyjack's losses since the date of acquisition ($12.1 million) adjusted for certain restructuring and working capital reserves ($5.4 million) taken by Skyjack as well as the amortization of goodwill. Linamar accounted for the adjustments noted as part of the purchase accounting equation as these items relate to Linamar's assessment of asset values and plans for restructuring the business.

Net Income

		December 2001	December 2000	Change
Operating income	$	88.5	134.1	-34.0%
Net interest expense		4.6	8.4	-45.2%
Other income		(0.5)	(0.1)	400%
Income taxes		28.0	38.2	-26.7%
Non-controlling interest		0.8	1.2	-33.3%
Earnings from continuing operations		55.6	86.4	-35.6%
Results from discontinued operations		(13.7)	(9.1)	50.5%
Net income		41.9	77.3	-45.8%
Earnings per share				
From continuing operations				
Basic		0.80	1.26	-36.5%
Diluted		0.80	1.25	-36.0%
From net earnings				
Basic		0.61	1.12	-45.5%
Diluted		0.60	1.12	-46.4%
Weighted average number of shares outstanding				
Basic		69,181,671	68,718,978	0.7%
Diluted		69,685,180	69,194,907	0.7%

Linamar's net interest expense decreased 45.2% in 2001 to $4.6 million from $8.4 million in 2000. Average interest rates on borrowings dropped 2.6 percentage points from approximately 6.5% in 2000 to 3.9% during 2001. The Company also reduced the level of borrowings over the year. Interest income was reduced as a result of the rate decreases.

Linamar's effective income tax rate increased by 2.8% to 33.2% in fiscal 2001. Increases in the effective rate were due primarily to the tax rates on foreign operations differing from those in Canada. The losses on the Weslin operations in Hungary are not tax affected as the joint venture is subject to a tax holiday. Operations in Mexico are subject to minimum taxes and government-legislated employee profit sharing. In Canada, a benefit for the losses on the equity investment was not recognized. As an offset, the combined effective Canadian

federal and Ontario provincial tax rate was reduced from 35.0% to 33.9% in 2001 due to a reduction in the provincial tax rate. The Company also realized a benefit related to announced future provincial tax rate reductions.

Non-controlling interest is attributed to Mezőgép, the Company's Hungarian subsidiary. Earnings in 2001 were lower than in 2000 due to costs associated with the ramp-up of many new automotive programs.

During the year, Linamar made an important decision for its raw material strategy. The Company decided to divest its two wholly-owned in-house casting operations as at September 28, 2001. The Company believes that it can only have a strategic advantage in producing its own raw materials if three key criteria are met. First, the casting and machining operations must be under one roof. Second, the operation must possess strong capabilities and knowledge of the type of casting. Finally, the foundry must demonstrate expertise in the same areas as the machining focus of the business. The two casting facilities did not meet these criteria. Conversely, the Company's joint venture in Hungary does meet these key criteria. Weslin is currently in the start-up phase for new contracts. The business units being divested will be sold as a going concern and/or asset disposal. Consequently, the Company has recorded a charge of $4.9 million to reduce capital asset carrying values. Losses incurred until September 28, 2001 were $5.3 million. Costs were also accrued for severance and sales commission costs. Losses accrued for the period after September 28, 2001 to the anticipated disposal date total $3.3 million. All amounts are net of tax.

Effective in fiscal 2001, Linamar has retroactively adopted the Canadian Institute of Chartered Accountants' new recommendations for the calculation and presentation of basic and fully diluted earnings per share. Fully diluted earnings per share are now calculated using the treasury stock method to determine the dilative effect of stock options. On a fully diluted basis, earnings per share from continuing operations decreased 36.0% to $0.80 per share. The increase in basic shares outstanding was due to the exercise of stock options in 2001.

Financial Condition, Liquidity and Capital Resources

Cash provided from (used for):		December 2001	December 2000	Change
Operating activities	$	157.2	166.1	
Investing activities		(157.3)	(144.1)	
Financing activities		(18.8)	16.5	
Effect of translation adjustment		2.1	0.7	
Net increase (decrease) in cash	$	(16.8)	39.2	$56.0

Cash balances net of unpresented cheques decreased at December 31, 2001 to $36.9 million as compared to $53.7 million a year earlier. Cash inflows from operating activities decreased as a result of lower profits in the current year partially compensated for by additional cash generated from working capital. On the investment side, lower expenditures on capital assets reduced outflow but lower disposals and the investment in Skyjack used additional cash resources. In financing activities, cash payments were made to reduce debt thus using cash resources.

Operating Activities

		December 2001	December 2000	Change
Earnings from continuing operations	$	55.6	86.3	
Items not involving current cash flows		99.0	87.7	
Cash provided from operations		154.6	$174.0	-11.1%
Net change in non-cash working capital		7.3	1.7	
Cash flow – continuing operations		161.9	$175.7	-7.9%
Cash flow – discontinued operations		(4.7)	(9.6)	
Cash provided from operating activities	$	157.2	$166.1	-5.4%

Cash provided from operations, before the effect of changes in non-cash working capital, decreased 11.1% to $154.6 million in fiscal 2001 versus $174.0 million in fiscal 2000. In 2000 there was a write-down of $9.1 million of capital assets, which related to programs that were determined to not be financially viable. That item was offset by a gain of $9.3 million mainly attributed to the sale of excess property in Mexico. Gains recognized in 2001 related to the settlement of a lawsuit with a supplier for faulty equipment as well as the sale of assets owned by Promet, Inc. ("Promet"). As part of this transaction, the assets were sold to a third party and leased to Minsor Powertrain Systems LLC ("Minsor"). Promet's operations were assumed by Minsor.

The net change in non-cash working capital improved in 2001 because of a number of items. First, balances outstanding at the end of 2000 for the Northstar cylinder head were reduced. This major program came to an end and its replacement program, the GEN III, was cancelled in 2001. Otherwise, production sales company-wide were approximately 5% lower for the month of December 2001 as compared to December 2000. A decrease in taxes recoverable was the result of the benefit of amalgamating certain legal entities in 2000. Payables increased, providing cash resources. The Company built a bank of parts at the request of a customer on three jobs and extended payment terms to suppliers for the raw materials required for these products. Inventories consumed cash resources due to this build up of customer inventories and due to slightly higher tooling.

Investing Activities

		December 2001	December 2000	Change
Payments for purchases of capital assets	$	(138.0)	(173.0)	-20.2%
Proceeds from disposal of capital assets		12.0	31.2	
Proceeds on sale of future tax asset		2.4	-	
Net advances to Skyjack Inc.		(11.4)	-	
Investments		(22.4)	(1.0)	
Other		0.7	-	
Discontinued operations		(0.6)	(1.3)	
Cash used for investing activities	$	(157.3)	(144.1)	9.2%

In 2001, investment spending, net of disposal proceeds, increased $13.2 million to $157.3 million, versus $144.1 million the previous year. Investments in capital assets near the end of 2000 were placed in service in 2001 for new and expanding programs. Some of these programs were subsequently put on hold at customer request or were cancelled. Purchases in 2001 include equipment to be used for the production of Ford's 5.4L cylinder head to be manufactured in Windsor at the Exkor facility. Construction of the building was completed in 2001 but not all equipment installation was completed. Construction on the Weslin facility in Hungary was also completed during the fiscal year but start-up and commissioning of the facility will continue into 2002. Management currently expects that in 2002, the Company will spend $140.0 million on the acquisition of capital assets that will be used mainly to support newly awarded production contracts.

The Company was able to realize proceeds of $2.4 million on the sale of a portion of its available tax benefits related to its Mexican joint venture facility.

On June 4, 2001, Linamar purchased approximately 4 million of the outstanding shares in the capital of Skyjack Inc., constituting a 48.5% equity interest for a total purchase price of $22.1 million. Since that date, the Company has advanced loans to Skyjack pursuant to subordinated loan facilities. Skyjack is a leading manufacturer of a complete line of self-propelled scissor-type elevating work platforms. Skyjack's products support workers, tools and materials in a variety of commercial, industrial and construction applications requiring access to elevated work areas. The scissor-lift market faced an unprecedented drop in 2001 sales. However, management expects this market to recover somewhat next year.

Skyjack has undertaken significant restructuring efforts to improve financial results, including the consolidation of facilities and outsourcing of various manufactured components. These steps will allow Skyjack to focus on the assembly, distribution and marketing of their product lines. A subsidiary of Linamar will manufacture the cylinders used in the lifts. Linamar also expects that manufacturing some of Skyjack's product line for the European market will integrate well with Linamar's operations in Hungary where the initial assembly of lifts were completed by year-end. The scissor lift market is expanding its applications in Europe in contrast to the market slowdown in North America. Subsequent to year end, Skyjack established a $10.0 million bridge loan with Kensington Finance Inc., in connection with which Linamar provided security. As Skyjack has previously disclosed, Skyjack has retained an investment advisor to assist it in arranging equity financing, proceeds of which are expected to be used to repay the bridge financing loan.

Management expects that Linamar's cash balances on hand, existing unutilized credit facilities and internally generated funds from operations will be sufficient to meet all of the Company's planned cash requirements in 2002.

Financing Activities

		December 2001	December 2000
Proceeds from (repayment of) short-term bank borrowings	$	(117.1)	$32.5
Proceeds from long-term debt		104.8	11.9
Repayment of long-term debt		(1.6)	(1.6)
Proceeds from common share issuance		6.4	0.2
Repurchase of shares		-	(15.3)
Dividends to shareholders		(11.1)	(11.0)
Dividends by subsidiaries to non-controlling interests		-	(0.1)
Other		(0.2)	-
Discontinued Operations		-	(0.1)
Cash provided from (used for) financing activities	$	(18.8)	$16.5

The Company entered into a Canadian syndicated banking facility on December 17, 2001. The facility requires that the Company maintain certain financial ratios and that loan proceeds be used for specific activities including normal operations and acquisitions. Advances under the term loan component of this facility were used to satisfy the Company's short-term obligations. The current rate on the loan is 5.385% based on existing financial ratios with interest payable quarterly. An extendible revolving credit facility of $155.0 million is also available to the Company through this facility. In Hungary, Mezőgép used certain long-term bank loans to finance equipment purchases. Re-payments of long-term debt during the year were based on scheduled re-payments.

During the fiscal year, the Company issued 821,000 common shares for consideration of $6.4 million on the exercise of stock options, compared to 30,000 common shares issued for consideration of $0.2 million in 2000. In November 1999, the Company filed a normal course issuer bid which entitled it to acquire up to 5.6 million shares before October 31, 2000. The Company purchased 1.4 million shares on the open market, at market prices, for a total of $15.3 million. In December 2000, the Company filed another normal course issuer bid which entitled the Company to purchase up to 3.4 million shares before December 1, 2001. No shares were purchased under this bid.

Since 1995, the Company has paid quarterly dividends based on performance in prior years and expected performance. In 2001, dividends were 16 cents per share. The Company expects that it will continue this established dividend policy.

Shareholders' Equity

During fiscal year 2001, shareholders' equity increased by 8.6% or $44.0 million over December 2000. The book value per share increased 7.3% from $7.50 to $8.05. The issuance of shares and net earnings for fiscal 2001 added $48.3 million to the shareholders' equity and was offset by dividends paid of $11.1 million. The increase in the cumulative translation adjustment account of $6.8 million represents the unrealized foreign exchange gain on the translation of Linamar's net investment in its self-sustaining foreign subsidiaries.

In 2000, the share re-purchase under the normal course issuer bid resulted in a charge of $13.6 million representing the amount paid in acquiring the shares in excess of their assigned value.

Foreign Currency Activities

Linamar typically negotiates sales contracts and purchases materials, equipment and labour in the currency resident in the region in which Linamar's specific operations are located. Linamar's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure, Linamar employs hedging programs primarily through the use of foreign exchange forward contracts. The contracts are purchased based on the projected net foreign cash flows from operations.

Significant contracts have been awarded for programs in the 5Cs area, demonstrating the Company's proven abilities in these products.

The amount and timing of forward contracts is dependent upon a number of factors including anticipated production delivery schedules, anticipated customer payment dates and anticipated costs, which may be paid in foreign currencies. Linamar is exposed to credit risk from the potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with Canadian chartered banks. Despite these measures, significant long-term movements in relative currency values could affect Linamar's results of operations. In addition, Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries, and accordingly, Linamar's results of operations could be further affected by a significant change in the relative values of the Canadian dollar, US dollar, Hungarian forint and Mexican peso.

Outlook

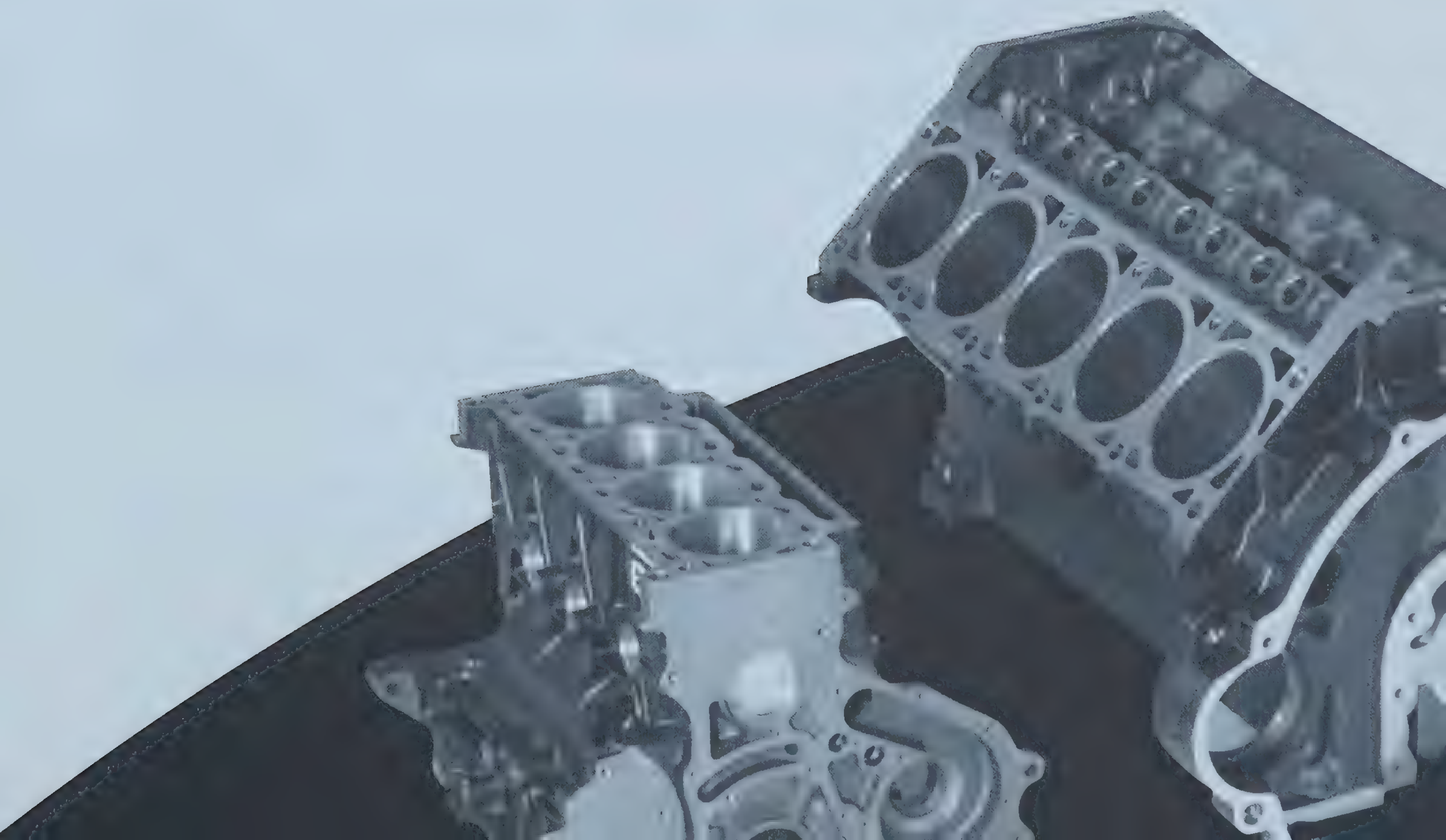
Management expects that Linamar's results will continue to be impacted by the downturn in the automotive markets. Management believes that the Company's sales levels will remain stable with modest growth in 2002, and currently expects that sales in 2003 should return to the Company's growth target of 15% annually. Despite consistent sales next year, management projects content per vehicle increasing approximately 5% in North America and 60% in Europe. The Company continues to be awarded new business at record levels. New business awarded in 2001 was $460.6 million. The majority of these contracts are with Ford Motor Company for transmission components. The new contracts show the Company's ability to be a full service supplier. Linamar intends to continue to use its strength in supplier management in combination with its machining expertise to produce these assembled components. Significant contracts have been awarded for programs in the 5Cs area, demonstrating the Company's proven abilities in these products.

Based on information currently available, management's expectation is that profits will remain relatively stable in 2002. Earnings are dependent on vehicle production volumes. The Company's results are expected to continue to be affected by the conditions influencing the automotive industry, including on-going price concessions from the OEMs, production insourcing, consumer confidence and general economic conditions. However, the Company expects to realize benefits from its raw material strategy re-alignment. The CAT reviews continue to provide innovative approaches to the manufacturing process. Weslin is expected to ramp up production after its significant business start-up in 2001. The Company will focus on profitability but remain ready to make strategic moves that will further the success of the business. Linamar is committed to pursuing its growth strategy.

Risks and Uncertainties

Certain information provided by Linamar in this Annual Report and other documents that we publish throughout the year that do not constitute historical facts might constitute forward-looking statements. The words "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Persons reading this Annual Report are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information involves important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this management's discussion and analysis include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the Company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, technological developments by Linamar's competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.



Management's Responsibility for the Consolidated Financial Statements

The management of Linamar Corporation is responsible for the preparation of all information included in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts that are based on management's best estimates and judgments. Financial information included elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's external auditors, appointed by the shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statements for issuance to the shareholders.

Frank J. Hasenfratz
Director
February 8, 2002

Linda Hasenfratz
Director

Auditors' Report To the Shareholders of Linamar Corporation

We have audited the consolidated balance sheets of Linamar Corporation as at December 31, 2001 and December 31, 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and December 31, 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Kitchener, Ontario
February 8, 2002

CONSOLIDATED BALANCE SHEETS

As at December 31, 2001 (in thousands of dollars)	December 31 2001	December 31 2000 *(note 9)*
Assets		
Current Assets		
Cash and short-term investments *(note 2)*	$ 43,263	$ 62,560
Accounts receivable	208,352	207,063
Inventories *(note 3)*	99,718	91,182
Prepaid expenses	8,218	11,614
Income taxes recoverable	8,873	9,435
Current assets – discontinued operations *(note 9)*	5,515	3,277
	373,939	385,131
Investments, at cost	1,421	1,658
Other Long – Term Assets	474	-
Investments in and Advances to Companies subject to Significant Influence *(note 4)*	27,497	-
Capital Assets *(note 5)*	550,334	493,020
Capital Assets – Discontinued Operations *(note 9)*	3,459	12,122
Future Income Taxes – Discontinued Operations *(note 9)*	5,502	5,349
	$ 962,626	$ 897,280
Liabilities		
Current Liabilities		
Unpresented cheques	$ 6,411	$ 8,870
Short-term bank borrowings	45,239	162,358
Accounts payable and accrued liabilities	182,413	156,483
Advance payments from customers	3,833	4,143
Current portion of long-term debt *(note 6)*	10,298	1,645
Current liabilities – discontinued operations *(note 9)*	6,264	4,159
	254,458	337,658
Long-Term Debt *(note 6)*	108,321	12,654
Future Income Taxes	20,811	15,174
Non-Controlling Interests	21,217	18,016
	404,807	383,502
Shareholders' Equity		
Capital Stock *(note 7)*	88,385	81,990
Retained Earnings	469,639	438,806
Cumulative Translation Adjustment *(note 8)*	(205)	(7,018)
	557,819	513,778
	$ 962,626	$ 897,280

The accompanying notes are an integral part of these statements.

On behalf of the Board of Directors

Frank J. Hasenfratz
Director

Linda Hasenfratz
Director

Consolidated Statements of Retained Earnings

For the year ended December 31, 2001 (in thousands of dollars)	December 31 2001	December 31 2000 (note 9)
Balance - Beginning of Year	$ 438,806	$ 386,164
Net earnings for the year	41,917	77,286
	480,723	463,450
Dividends	11,084	11,000
Excess of cost over assigned value of common shares purchased and cancelled *(note 7)*	-	13,644
	11,084	24,644
Balance - End of Year	$ 469,639	$ 438,806

The accompanying notes are an integral part of these statements.

Consolidated Statements of Earnings

For the year ended December 31, 2001 (in thousands of dollars, except per share figures)	December 31 2001	December 31 2000 (note 9)
Sales	$ 1,209,017	$ 1,328,875
Cost of Sales and Operating Expenses Before the Following:	960,562	1,040,324
Amortization	91,775	89,143
Selling, general and administrative	61,243	65,344
Equity loss	6,937	-
	1,120,517	1,194,811
Operating Earnings	88,500	134,064
Other Income (Expense)		
Interest on long-term debt *(note 6)*	(365)	(14)
Other interest expense	(6,577)	(11,334)
Interest earned	2,317	2,901
Other income	545	156
	84,420	125,773
Provision for (Recovery of) Income Taxes *(note 10)*		
Current	24,677	40,699
Future	3,306	(2,462)
	27,983	38,237
	56,437	87,536
Non-Controlling Interests	772	1,189
Earnings from Continuing Operations	55,665	86,347
Results of Discontinued Operations *(note 9)*	(13,748)	(9,061)
Net Earnings for the Year	$ 41,917	$ 77,286
Earnings Per Share *(notes 9 and 14)*		
From Continuing Operations		
Basic	$ 0.80	$ 1.26
Diluted	0.80	1.25
From Net Earnings		
Basic	0.61	1.12
Diluted	0.60	1.12

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the year ended December 31, 2001 (in thousands of dollars)	December 31 2001	December 31 2000 *(note 9)*
Cash Provided by (Used in)		
Operating Activities		
Earnings from continuing operations	$ 55,665	$ 86,347
Charges (credits) to earnings not involving cash:		
Amortization	91,775	89,143
Equity loss after tax (note 4)	6,285	-
Future income taxes	3,306	(2,462)
Non-controlling interests	772	1,189
Write-down of capital assets	-	9,092
Gain on disposal of capital assets	(3,175)	(9,289)
	154,628	174,020
Changes in non-cash working capital due to operating activities		
Decrease in accounts receivable	6,913	9,840
Decrease (increase) in inventories	(7,005)	6,219
Decrease in prepaid expenses	3,730	4,432
Decrease (increase) in income taxes recoverable	848	(8,947)
Increase (decrease) in accounts payable and accrued liabilities	3,083	(9,003)
Decrease in advance payments from customers	(310)	(911)
Cash flow – continuing operations	161,887	175,650
Cash flow – discontinued operations (note 9)	(4,716)	(9,539)
	157,171	166,111
Financing Activities		
Proceeds from (repayment of) short-term bank borrowings	(117,119)	32,461
Proceeds from long-term debt	104,792	11,936
Repayment of long-term debt	(1,644)	(1,547)
Proceeds from common share issuance (note 7)	6,395	224
Repurchase of shares (note 7)	-	(15,259)
Other	(162)	-
Dividends to shareholders	(11,084)	(11,000)
Dividends by subsidiaries to non-controlling interests	-	(108)
Discontinued operations (note 9)	-	(139)
	(18,822)	16,568
Investing Activities		
Payments for purchase of capital assets	(138,053)	(173,063)
Proceeds on disposal of capital assets	12,019	31,220
Proceeds on sale of future tax asset	2,399	-
Proceeds on redemption of preference shares	248	-
Net advances to Skyjack Inc.	(11,353)	-
Investments	(22,429)	(972)
Other	493	-
Discontinued operations (note 9)	(624)	(1,278)
	(157,300)	(144,093)
	(18,951)	38,586
Effect of Translation Adjustment (note 8)	2,113	653
Increase (Decrease) in Cash Position	(16,838)	39,239
Cash Position - Beginning of Year	53,690	14,451
Cash Position - End of Year	$ 36,852	$ 53,690
Comprised of:		
Cash and Short-term Investments	43,263	62,560
Unpresented Cheques	(6,411)	(8,870)
	$ 36,852	$ 53,690

The accompanying notes are an integral part of these statements.

1. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in joint ventures are consolidated on a proportionate basis. Acquisitions are accounted for using the purchase method. Investments in companies over which the Company has significant influence are accounted for by the equity method.

Cash and Short-Term Investments

Short-term investments are stated at the lower of cost and market.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis and market. For raw materials, market is defined as replacement cost; for work-in-process and finished goods, market is defined as net realizably value.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is charged to earnings in amounts sufficient to amortize the cost of capital assets over their estimated useful lives using the diminishing balance and straight-line methods as follows:

Buildings	5% diminishing balance
Machinery	Straight-line over 5 years or 15% - 20% diminishing balance
Office equipment	20% diminishing balance
Transportation equipment	10% and 30% diminishing balance
Tooling	Straight-line over 1 year

Income Taxes

Income taxes are provided, at current rates, for all items included in the statement of earnings regardless of the period in which such items are reported for income tax purposes. Future income tax assets and liabilities result from the difference between the financial reporting and tax bases of assets and liabilities. The principal item which results in temporary differences is amortization. Future income tax assets and liabilities are measured using substantively enacted tax rates that will be in effect when the temporary differences are expected to reverse. The effect of any changes in tax rates on the future income tax balance is recognized in income in the period of change.

Share Options

No compensation expense is recognized when shares or share options are issued under the Company's share option plan. Any consideration paid on exercise of share options or purchase of shares is credited to share capital.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Pension Costs

The Company has various contributory and non-contributory defined contribution pension plans which cover most employees. Current service pension costs are charged to earnings as they accrue. In 2001, pension costs of $10.5 million (2000 - $9.8 million) under government sponsored plans and $5.5 million (2000 - $4.7 million) under company sponsored plans were expensed in the year.

1. Significant Accounting Policies (continued)

Foreign Currency Translation

The Company enters into forward exchange contracts to limit its exposure under contracted net cash inflows of US dollars and outflows of Euros. These contracts are treated as hedges. The monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the year end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are recognized currently in earnings except those which relate to hedges of future cash flows, or those relating to the translation of self-sustaining foreign operations. Self-sustaining foreign subsidiaries and interests in joint ventures are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates. The resulting unrealized exchange gains and losses are deferred and recorded as a separate component of shareholders' equity. Other foreign subsidiaries and interests in joint ventures whose operations are integrated in nature are translated using the temporal method, whereby non-monetary assets are translated at historical exchange rates, and monetary assets and liabilities are translated at year-end exchange rates. Exchange gains or losses are included in earnings in the year incurred.

Revenue Recognition

Revenue from the sale of products is recognized at the time goods are shipped to customers. Revenue from the sale of tooling is recognized once the tooling is substantially complete and the customer approves the initial production sample.

Research and Development

Research costs are expensed as incurred. Development costs are expensed as incurred but would not be expensed if they met the criteria under Canadian generally accepted accounting principles for deferral and amortization.

Start up Costs

All start up costs including preproduction costs and organization costs are expensed as incurred.

2. Cash and Short-Term Investments

Short-term investments were $43.5 million at December 31, 2000 and consisted of government securities, bank short-term deposits and commercial paper. There were no short-term investments at December 31, 2001. Cash of $5.7 million was restricted in use at December 31, 2001 to meet terms of an arrangement with a supplier of capital assets.

3. Inventories (in thousands of dollars)

	December 31 2001	December 31 2000
Raw materials	$ 54,952	$ 52,352
Work-in-process	23,730	20,646
Finished goods	21,036	18,184
	$ 99,718	$ 91,182

4. Investments in and Advances to Companies subject to Significant Influence (in thousands of dollars)

	Skyjack Inc.	Minsor Powertrain Systems LLC	Total 2001
Investment, at cost	$ 22,053	$ 376	$ 22,429
Equity (loss) income (net of tax)	(6,402)	117	(6,285)
Net Investment	15,651	493	16,144
Loans receivable	11,353	-	11,353
Total	$ 27,004	$ 493	$ 27,497

These investments are accounted for by the equity method.

On February 28, 2001, Linamar invested U.S. $0.2 million and with its partner established a new U.S. minority company, Minsor Powertrain Systems LLC (based in Michigan), of which Linamar holds a 49% interest.

On June 4, 2001, Linamar acquired 4,018,757 common shares of Skyjack Inc., a Canadian company which manufactures self-propelled scissor-type elevating work platforms, representing 48.5% of the current outstanding common shares of Skyjack Inc. Linamar's proportionate share of the underlying net book value of Skyjack's net assets at the date of purchase was greater than the cost of the investment by $5.2 million. Adjustments were made to allocate the purchase price based on the respective fair values of the underlying net assets as follows:

Current assets	$ 42,952
Capital assets	18,894
Other assets	5,086
Goodwill	6,101
Total Assets	73,033
Current liabilities	39,314
Long-term debt	11,666
Total Liabilities	50,980
Total Cost	22,053

Goodwill is amortized over a period of 20 years.

5. Capital Assets (in thousands of dollars)

	Cost	Accumulated amortization	December 31 2001 Net	December 31 2000 Net
Land	$ 12,149	$ -	$ 12,149	$ 11,662
Buildings	103,608	20,167	83,441	66,815
Machinery	790,920	356,661	434,259	391,459
Office equipment	10,670	6,130	4,540	6,068
Transportation equipment	15,785	3,682	12,103	13,241
Tooling	19,279	15,437	3,842	3,775
	$ 952,411	$ 402,077	$ 550,334	$ 493,020

6. Long-Term Debt (in thousands of dollars)

	December 31 2001	December 31 2000
Borrowing under bank term loan facility maturing December 2004 converted to fixed rate obligation by an interest rate swap transaction, maturing December 2006. Interest payable quarterly at 4.785% plus applicable margin. The current all-in rate is 5.385%	$ 101,421	$ -
Interest free loan payable in 2003	196	-
Interest free loan payable in 2001	-	1,074
Interest free loan payable in Hungarian forints 40,000,000 in quarterly installments of 10,000,000	228	423
Interest free loan payable in Hungarian forints 109,620,000 in quarterly installments of 9,135,000	625	771
Interest free loan payable in Hungarian forints 118,500,000 in quarterly installments of 7,900,000	675	750
Bank term loan payable in Hungarian forints 1,698,909,000 with interest at 11.26%, due 2002	9,682	8,933
Bank term loan payable in Euros 4,127,063 with interest at 3.855%, and repayments of 3,261,000 due 2003 and 866,063 due 2004	5,792	2,348
	118,619	14,299
Less: current portion	10,298	1,645
	$ 108,321	$ 12,654

Effective December 17, 2001 the Company entered into a syndicated banking facility. The credit agreement provides for a $102.0 million term loan facility through December 2004 and a $155.0 million extendible revolving credit facility. These facilities are guaranteed by the Company and two domestic subsidiaries and are unsecured. As of December 31, 2001, $139.2 million was available under the revolving credit facility. The outstanding balance on the term loan represents the total amount available under the facility.

The credit agreement requires the Company to maintain certain financial ratios and imposes limitations on specified activities. The Company was in compliance with these covenants at December 31, 2001.

Borrowings under the credit agreement are available as selected by the Company by way of: i) Canadian Prime Rate Loans, ii) U.S. Base Rate Loans, iii) Bankers' Acceptances, and iv) LIBOR Loans, plus applicable interest rate margin. The margin varies depending on specified financial ratios.

In December 2001, the Company entered into an interest swap transaction to convert $102.0 million of variable rate borrowing to a fixed interest obligation at 4.785% plus applicable margin of 0.6% at year end.

Certain long-term bank loans were used to finance equipment purchases by the Mezőgép facility in Hungary. The related interest incurred, of approximately $1.1 million (2000 - $0.5 million), was capitalized up to the date the equipment was put in use.

Principal payments required to meet long-term obligations in the next five years are as follows:

Year ending December 31, 2002	$	10,298
2003		5,164
2004		103,022
2005		135

Specific machinery is pledged as security for the interest free loans.

7. Capital Stock

The Company is incorporated under the Ontario Business Corporations Act in Canada and is authorized to issue an unlimited number of common and special shares.

Under the Company's share option plan, the Company, with the approval of the Board of Directors, may grant options to its key employees and directors for up to 1,645,000 shares of common stock in addition to those options already granted. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is 5 years. On the latest option distribution, the 1,355,000 options issued to directors vested immediately while the 142,000 options issued to key employees vest at the rate of 20% per year beginning on the date of issuance. All other outstanding options are vested.

At the beginning of the year, options to purchase 4,525,000 common shares at a weighted average price of $12.55 were outstanding.

Under the share option plan, the Company granted options during the year on common shares. These options, which remained outstanding at year-end, can be exercised as follows:

1,497,000 at $14.44 a share before August 14, 2006

At December 31, 2001, under the share option plan, the Company also had options outstanding which can be exercised as follows:

1,290,000 at $11.17 a share on or before January 11, 2002
12,000 at $26.04 a share on or before January 14, 2003
6,000 at $28.54 a share on or before July 14, 2003
810,000 at $22.53 a share on or before August 15, 2004
1,522,000 at $10.81 a share on or before December 28, 2005

In summary, at the end of the year options to purchase 5,137,000 common shares at a weighted average price of $13.86 were outstanding with a weighted average contractual life of 2.96 years. Of these options, 145,200 at a price of $10.81 and 113,600 at a price of $14.44 had not vested.

During the year, options for 821,000 common shares were exercised giving proceeds of $6,395,570, and 10,000 options at $22.53 and 54,000 options at $10.81 were cancelled.

In November 1999, the Company filed a normal course issuer bid which entitled the Company to acquire up to 5,631,288 of its common shares before October 31, 2000. The purchases were made on the open market at the market price. Under this bid, during 2000, the Company repurchased for cancellation 1,352,300 common shares with an assigned value of $1,615,332 for $15,259,445 cash.

In December 2000, the Company filed a normal course issuer bid which entitled the Company to acquire up to 3,422,537 of its common shares before December 1, 2001. No purchases were made under this bid in either 2000 or 2001.

	December 31 2001	December 31 2000
Issued (in thousands of dollars)		
69,302,476 common shares (2000 - 68,481,476)	$ 88,385	$ 81,990

8. Cumulative Translation Adjustment (in thousands of dollars)

As a result of the growing independence of certain foreign subsidiaries and joint ventures, management determined that it is appropriate to treat them as self-sustaining. Effective January 1, 2000, the net assets of these operations are translated using the current rate method. Adjustments arising from the translation are deferred and recorded as a separate component of shareholders' equity. This change was applied prospectively, resulting in a charge to equity of $5,552 thousand and a charge to non-controlling interests on the balance sheet of $3,179 thousand at the effective date.

	December 31 2001	December 31 2000
Balance – beginning of year	$ (7,018)	$ -
Cumulative unrealized loss on initial conversion of net assets to current rate method	-	(5,552)
Unrealized gain (loss) for the year on translation of net assets excluding cash	4,700	(2,119)
Unrealized gain for the year on translation of cash	2,113	653
Balance - end of year	$ (205)	$ (7,018)

9. Discontinued Operations (in thousands of dollars)

Effective September 28, 2001 the Company adopted a formal plan to divest the Company's wholly owned in-house casting operations, which management considers are subject to significantly different business risks than the precision machining segment. These businesses will continue to operate until the disposal plan is completed, which is expected to occur within one year. Divestiture will be in the form of a sale as a going concern or alternatively, as an asset disposal. The results from discontinued operations have been reported separately within these financial statements. Prior year's comparative amounts have also been reclassified. Summarized financial information for the discontinued operations is as follows:

	December 31 2001	December 31 2000
Sales	$ 19,607	$ 21,110
Results of operations prior to September 28, 2001	(8,160)	(13,637)
Income tax recovery	2,856	4,576
	(5,304)	(9,061)
Net loss from discontinued operations**	(12,796)	-
Income tax recovery	4,352	-
	(8,444)	-
Results of discontinued operations	$ (13,748)	$ (9,061)

**Includes a write down of capital assets of 7,459

The estimate of the loss from discontinued operations is based on management's best estimates and assumptions with respect to a variety of items including proceeds to be realized on assets to be disposed of and retained assets, if any. There is a risk that the assumptions and resulting estimates may change with the passage of time and the availability of additional information and facts. Changes to the estimate of the loss on disposal will be recognized as a gain or loss on discontinued operations during the period that such changes are determinable.

10. Income Taxes (in thousands of dollars)

The Company's income taxes and effective tax rate are made up as follows:

		December 31 2001			December 31 2000	
Combined basic Canadian Federal and Ontario Provincial income taxes	$	34,292	% 40.62	$	53,869	% 42.83
Increase (decrease) in income taxes resulting from:						
Manufacturing and processing reduction		(6,644)	(7.87)		(11,320)	(9.00)
Federal income surtax		945	1.12		1,409	1.12
Recognition of unrecorded future income tax assets from prior years		(5,969)	(7.07)		(7,316)	(5.82)
Unrecognized benefit of losses carried forward		3,343	3.96		589	0.47
Difference between Canadian and foreign tax rates		4,322	5.12		1,549	1.23
Rate changes on future income taxes		(2,775)	(3.29)		(933)	(0.74)
Miscellaneous		469	0.56		390	0.31
Income taxes and effective income tax rate	$	27,983	% 33.15	$	38,237	% 30.40

At December 31, 2001, Mexican operations had available tax benefits carried forward of approximately $12.5 million which are available to the consolidated entity. The benefits expiring in years ended December 31, 2003 to December 31, 2005 were acquired with the purchase of the Mexican joint venture in 1998. These benefits expire according to the following schedule.

Year ending December 31, 2003	$	3,200
2004		3,000
2005		1,600
2008		500
2009		4,200

A tax benefit of $2.6 million has been recognized in the consolidated financial statements for the above benefits.

11. Contingent Liabilities and Commitments

The Company is involved in certain lawsuits and claims. Management believes that adequate provisions have been recorded in the accounts. Although it is not possible to estimate the potential costs and losses, if any, management is of the opinion that there will not be any significant additional liability other than amounts already provided for in these financial statements.

As at December 31, 2001, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $53.3 million (2000 - $82.5 million).

The Company is committed under certain long-term operating leases. Future minimum lease payments under these operating leases are as follows (in thousands of dollars):

Year ending December 31, 2002	$	3,203
2003		3,232
2004		3,246
2005		2,738
2006		2,012
Thereafter		1,748

12. Related Party Transactions

Included in the purchase of capital assets are the construction of buildings, building additions and building improvements in the aggregate amount of $7.1 million (2000 - $5.4 million) by a company owned by the spouse of a director. Included in cost of sales are lease costs of $0.4 million (2000 - $0.4 million) related to properties leased from a company owned by two directors. These transactions have been recorded at the exchange amount.

13. Financial Instruments

Foreign Currency Risk

The Company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future net cash inflows of US dollars from operations. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2001, the Company was committed to a series of monthly forward exchange contracts to sell US dollars which mature during the following two years as noted below. At December 31, 2001, the net unrecognized loss on these contracts was approximately $27.3 million (2000 - $12.2 million). As these forward exchange contracts qualify for accounting as hedges, the unrealized gains and losses are deferred and recognized in earnings as the sales and expenses which generate the net cash flow occur.

Year	Amount Hedged US$	Average Exchange Rate
2002	120,000,000	1.4606
2003	95,000,000	1.4664

The Company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future cash outflows of Euros from certain capital asset acquisitions. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2001, the Company was committed to a series of forward exchange contracts to purchase Euros maturing during the following year as noted below. At December 31, 2001, the net unrecognized gain was approximately $0.4 million (2000 – $0.8 million). As these forward exchange contracts qualify for accounting as hedges, the unrealized gains and losses are deferred and recognized as a component of the capital asset acquisition.

Year	Amount Hedged EURO €	Average Exchange Rate
2002	27,703,506	1.4024

Short-term bank borrowings of CDN $26.5 million (2000 – CDN $152.9 million) are denominated in U.S. dollars and are not accounted for as hedges.

Credit Risk

A substantial portion of the Company's accounts receivable are with large customers in the automotive and truck industry and are subject to normal industry credit risks. At December 31, 2001, the accounts receivable from the Company's three largest customers amounted to 38.6%, 9.5% and 7.7% of accounts receivable (2000 - 29.0%, 4.7% and 3.0%).

Interest Rate Risk

The Company entered into an interest rate swap contract as part of its risk management strategy to minimize exposure to interest rate fluctuations. The interest rate swap contract involves an exchange of floating rate and fixed rate interest payments between the company and a financial institution. The swap transaction is completely independent from and has no direct effect on the relationship between the Company and its lenders. The notional amount of the interest rate swap contract outstanding at December 31, 2001 is detailed in Note 6 Long – Term Debt.

At December 31, 2001, the net unrecognized loss on this contract was approximately $0.2 million.

At December 31, 2001, the increase or decrease in net earnings for each 1% change in interest rates on the short-term bank borrowings amounts to approximately $0.3 million (2000 - $1.0 million).

Fair Value

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The Company's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and matters of significant judgment. At December 31, 2001, the carrying values reported in the balance sheet for cash and short-term investments, accounts receivable, income taxes recoverable and current liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of investments in companies subject to significant influence and advances to these companies are evaluated by management using accepted valuation techniques, taking into account both qualitative and quantitative factors. Management has determined that the fair values of these investments, the investments at cost, and the long-term debt are not significantly different from carrying values.

14. Earnings Per Share

Earnings per share are calculated using the weighted daily average number of shares outstanding during the year. The weighted average number of shares outstanding was 69,181,671 in 2001 (2000 - 68,718,978).

At the beginning of the year, the Company changed its method of determining diluted earnings per share to the treasury method. The comparative figures have been restated to reflect this change. If it were assumed that the dilative options had been exercised at the beginning of the year, the weighted average number of shares would have been 69,685,180 (2000 – 69,194,907). Diluted earnings per share from continuing operations would have been $0.80 (2000 - $1.25) and diluted earnings per share based on net earnings would have been $0.60 (2000 - $1.12).

Share options which were issued at a price of $14.44 and greater (see note 7) were anti-dilative for the year and therefore not included in the calculation of diluted earnings per share.

15. Subsequent Event

On February 4, 2002, Skyjack Inc. announced the establishment of a $10 million bridge loan facility provided by Kensington Finance Inc.. This loan has a term of 90 days and bears interest at prime plus 0.25% payable monthly in arrears, with principal due at maturity. The Company has provided security for the loan. Under certain circumstances (including default under the loan), all rights, obligations and benefits under the loan are assigned by Kensington Finance Inc. to the Company.

16. Cash Flows (in thousands of dollars)

The cash flows from operating activities include:	December 31 2001	December 31 2000
Interest paid	$ 6,870	$ 11,158
Interest received	2,317	2,894
Income taxes paid	23,829	49,598

17. Joint Ventures (in thousands of dollars)

The following is a summary of the Company's proportionate share of its joint ventures.	December 31 2001	December 31 2000
Statements of earnings		
Sales	$ 80,106	$ 70,412
Expenses	70,411	54,505
Net earnings for the year	$ 9,695	$ 15,907
Balance sheets		
Current assets	$ 51,607	$ 53,208
Capital assets	86,717	21,235
Current liabilities	45,331	21,530
Statements of cash flows		
Cash from operating activities	$ 22,178	$ 11,034
Cash from (used in) investing activities	(57,192)	11,384

18. Segmented Information (in thousands of dollars)

The Company currently operates primarily in one significant industry segment and in four geographic segments and accounts for inter-segment sales and transfers at current market prices.

The precision machining segment is the dominant segment. It consists primarily of the manufacturing and assembly of automotive components for original equipment manufacturers and their suppliers. The Company also has smaller segments which are not reportable. These include the assembly and sale of harvesting equipment, the manufacture and sale of castings and the transportation of the Company's products. Substantially all automotive revenue is derived from sales to major North American manufacturers. In the year ended December 31, 2001, sales to the Company's three largest customers amounted to 24.0%, 8.9% and 8.3% of total sales revenue (2000 - 26.9%, 9.7% and 7.5%).

Geographic Information

	December 31 2001	December 31 2000
Sales to unaffiliated customers in		
Canada	$ 82,365	$ 98,173
United States	962,494	1,098,448
Other foreign countries	164,158	132,254
	$ 1,209,017	$ 1,328,875

The Company currently operates in four geographic segments:

Continuing Operations:	Canada	United States	Mexico	Europe	December 31 2001 Total
Total revenue	$ 1,014,471	$ 45,601	$ 92,434	$ 67,994	
Inter-segment sales	3,727	305	4	7,447	
Sales to customers outside the company	1,010,744	45,296	92,430	60,547	$ 1,209,017
Earnings (loss)	50,515	983	10,696	(6,529)	55,665
Interest earned	1,083	108	1,000	126	2,317
Interest expense	5,890	45	-	1,007	6,942
Income tax expense (benefit)	27,958	(184)	209	-	27,983
Equity net earnings (loss)	(6,402)	117	-	-	(6,285)
Identifiable assets	648,785	76,121	78,178	145,066	948,150
Investment in and advances to equity accounted investees	27,004	493	-	-	27,497
Capital assets	373,275	40,602	39,326	97,131	550,334
Payments for capital assets	66,458	30,097	4,591	36,907	138,053
Amortization	78,854	1,367	5,995	5,559	91,775

Continuing Operations:	Canada	United States	Mexico	Europe	December 31 2000 Total
Total revenue	$ 1,137,510	$ 66,120	$ 74,389	$ 61,708	
Inter-segment sales	1,300	220	-	9,332	
Sales to customers outside the company	1,136,210	65,900	74,389	52,376	$ 1,328,875
Earnings (loss)	69,469	2,329	15,522	(973)	86,347
Interest earned	1,590	240	1,023	48	2,901
Interest expense	10,534	70	81	663	11,348
Income tax expense (benefit)	36,926	(270)	1,581	-	38,237
Identifiable assets	654,045	44,289	89,362	88,836	876,532
Capital assets	391,539	11,593	33,638	56,250	493,020
Payments for capital assets	139,648	1,852	4,587	26,976	173,063
Amortization	76,711	1,815	6,598	4,019	89,143

OFFICERS

Frank J. Hasenfratz
Chairman & Chief Executive Officer

Linda S. Hasenfratz
President

Ted McGregor
Group Vice President

Jim Jarrell
Chief Operating Officer

Brent Davies
Group Vice President

Keith Wettlaufer
Chief Financial Officer, Treasurer & Director of Strategic Development

Werner Memering
Group Vice President

Michael Annable
Director of Human Resources, Administration & IT

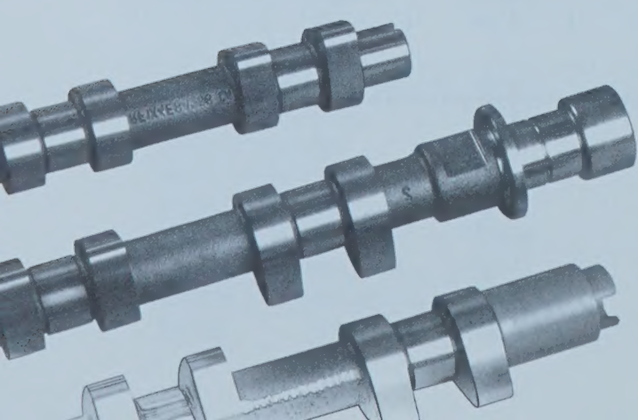
Csaba Havasi
Group Vice President

Mark Stoddart
Director of Sales, Marketing & Product Development

Derek Jones
Group Vice President

ANNUAL MEETING

The Company's Annual Meeting will take place at the River Run Centre, 35 Woolwich Street, Guelph, Ontario Thursday, May 2nd, 2002 at 6:00 p.m.



DIRECTORS

Frank J. Hasenfratz
Chairman of the Board & Chief Executive Officer
Linamar Corporation

Linda S. Hasenfratz
President & Corporate Secretary
Linamar Corporation

Hugh Guthrie*
Partner Hungerford, Guthrie & Berry,
(Barristers and Solicitors) Guelph, Ontario

William J. Harrison √ *
President & Chief Executive Officer
Lift Technologies Inc.

David Buehlow √ *
Retired Partner of Pricewaterhouse Coopers LLP (formerly Coopers & Lybrand)

John Jarrell √
Retired General Motors Executive

Mark Stoddart
Director Sales, Marketing & Product Development Linamar Corporation

√ Audit Committee
* Human Resources and Corporate Governance Committee

The report on Corporate Governance can be found in the Management Information Circular.

AUDITORS, TRANSFER AGENT & REGISTRAR

PricewaterhouseCoopers LLP, Chartered Accountants, Kitchener, Ontario are the auditors of Linamar Corporation. The transfer agent and registrar for the Common Shares of the Company is Equity Transfer Services Inc. at its principal offices in Toronto.

SHARES LISTED

Toronto Stock Exchange
trading under LNR

Linamar

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